



Township Trustee Conference Fall 2014

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Topics

- Updates
- New for 2014/2015
- What's Next? Preview of Upcoming Events
- Review of 1782 Notices
- Budget Order
- Reminders: Financial Reporting and What is Required
- Fire Services



Introduction

- Updates:
 - 18 Counties had submitted Certified Net Assessed Values by the statutory deadline of August 1.
 - Last year only 8 counties had submitted.
 - As of September 4, 2014, 54 counties had certified estimated Net Assessed Values.
 - Deadline for all units to submit 2015 budgets to counties for review was September 2, 2014.
 - By the deadline, 967 of 986 townships had submitted or 98%.



Introduction

- Goals for 2014/2015:
 - 50 counties with certified Budget Orders by December 31, 2014.
 - 92 county Budget Orders certified by Feb. 15.
 - 92 counties with on-time property tax bills for 2015.
 - 100% of townships have budgets submitted to counties on time for recommendation.



New For 2014/2015

- Protected taxes effective for 2014 levies
 - Protected taxes were enacted in 2013 but postponed until 2014.
 - Protected taxes are property tax levies exempt from circuit breaker credits: voter approved referendum funds and debt service funds.
 - Those funds will receive tax distributions first and revenues lost to circuit breaker credits are allocated to other property tax supported funds.
 - See http://www.in.gov/dlgf/files/pdf/140605_-_Vincent_Memo_-_Reallocation_of_Circuit_Breaker_Credits.pdf



Protected Taxes: Example

2014 (Not protected)	Levy	Circuit Breaker Credits	Percent of Levy Lost to Circuit Breakers
Operating	615,638	187,733	30.49%
Township Assistance	147,913	45,105	30.49%
Park	156,208	47,634	30.49%
Bond #1	91,246	27,824	30.49%
Bond #2	24,885	7,589	30.49%
2014 (Protected)			
Operating	615,638	211,288	34.32%
Township Assistance	147,913	50,764	34.32%
Park	156,208	53,610	34.32%
Bond #1	91,246	175	0.19%
Bond #2	24,885	48	0.19%



New For 2014/2015

- HEA 1062 Debt Service Fund Balance
- Section 2, effective upon passage, amends IC 6-1.1-17-22 setting the maximum balance in a debt service fund at 15% of the budget estimate for debt originally incurred after June 30, 2014; plus
- Fifty percent (50%) of the budget estimate for the debt service fund for the ensuing year for debt originally incurred before July 1, 2014.
 - If debt is refinanced, the date to be used is the date the refinanced debt was originally incurred, not the date the refinancing is closed.
 - Property taxes allowed for an operating balance may not be construed as an increase to make up for a reduction due to circuit breaker credits.



New For 2014/2015

- HEA 1266 Other Post Employment Benefits
- Section 24, effective July 1, 2014, amends IC 36-1-8-17.5 deleting references to OPEB or “Other Post Employment Benefits” and deletes requirement to report obligations to the DLGF by February 1.
 - Replaces OPEB with the requirement to report to the DLGF in a manner specified by the DLGF “information and data on its retiree benefits and expenditures by March 1 of each year.”



New For 2014/2015

- HEA 1266
 - Section 23, effective July 1, 2014, amending IC 6-1.1-18.5-8 to make tax levies for township emergency fire loan payments now outside of levy controls.
 - Section 27, effective July 1, 2014, amending IC 36-8-19-8 to allow a fire protection territory to maintain a reasonable balance not to exceed 120% of the budgeted expenses.
 - See: http://www.in.gov/dlgf/files/pdf/140519_-_Vincent_Memo_-_Legislative_Changes_Affecting_the_Fire_Protection_Territory_Fund.pdf



New For 2014/2015

- HEA 1266
- Section 20, effective July 1, 2014 , amends IC 6-1.1-17-3 changing the public notice requirements for budget notices.
 - 2014 is the last year for publication of Budget Notices in newspapers. (Watch for legislative changes next session in this law.)
 - Notices for 2014 were required to be both published twice in two newspapers and online in Gateway.
 - Taxpayers also had the ability to search for notices online by their address.



New For 2014/2015

- Fiscal Health Indicators in 2015
 - SEA 106 – Transparency
 - Requires the DLGF to develop indicators of fiscal health for political subdivisions and post on Gateway beginning in 2015.
- Rainy Day Fund Transfers
 - Townships can transfer funds **to** Rainy Day Funds but **not from** Rainy Day Funds.
 - Must appropriate uses directly out of Rainy Day Fund.



Preview of Upcoming Events

- Budget Calendar:
 - September 20 – **Last** day for second publication of 2015 budgets, rates, and levies.
 - October 1 – **Last** day for county fiscal body to complete budget review and issue recommendations for 2015 budgets, rates, and levies.
 - October 20 – **Last** day to file appeals for excessive levy – except for shortfall appeal (Dec. 31).
 - October 24 – **Last** possible day to hold public hearing on 2015 budget.
 - October 31 – **Last** possible day for 10 or more taxpayers to object to 2015 budget, rates, or levies.



Preview of Upcoming Events

- Budget Calendar (Continued):
 - November 3 – **Last** day for fiscal body to adopt 2015 budgets, rates, and tax levies.
 - November 5 – **Last** day for fiscal body to file adopted budgets with the DLGF through Gateway.
 - December 31 – **Last** day to file shortfall appeals with the DLGF.
 - February 16 – Budgets, tax rates, and tax levies to be certified by the DLGF.



What's Next?

- Public Hearing: Last possible day is Oct 24.
 - Public Hearing is the opportunity for the public to voice their opinion on the budget, tax rates, and levies.
 - Hearing must be **at least** 10 days before the adoption meeting.
 - Hearing must be held on the date, time, and place advertised on the budget notice.
 - Public hearing must be held by the body that adopts the budget, rates, and levies.
 - Any objections to the budget, tax rates, or levies must be filed with the fiscal body within seven (7) days of the public hearing.



After the Public Hearing...

- Adoption Meeting:
 - Adoption Meeting must be held by the fiscal body on the day, time, and place advertised on the budget notice.
 - Objections to the budget, rates, or levies must be addressed in the resolution adopting the budget.
 - Meeting must be **at least** ten (10) days after the Public Hearing and by November 3.
 - A majority of the fiscal body is a quorum.
 - In cases where a quorum is not present, “continue” the meeting to another day and time as stated during the original meeting.



After the Adoption Meeting...

- Budget is submitted to the DLGF by November 5 through Gateway.
- DLGF will begin working the budgets after all units in a county have adopted and,
- DLGF field representatives will work the budgets in the order of counties that certified the CNAVs.
- Field Representative may contact you for additional information or with questions.



DLGF Public Hearing?

- The DLGF is no longer required to conduct additional public hearings in each county before we take any action on a budget, tax rate or levy unless...
- Any taxpayer in a county can request a public hearing and a DLGF representative will hold a hearing.
- Hearing will require a five (5) day notice to be published by the DLGF.
- After the hearing, DLGF will act on the budgets.



1782 Notice

- DLGF is required to give each civil taxing unit a ten (10) day notice of any action the DLGF has taken on a budget, rate, or levy.
 - This Notice is called the “1782 Notice”
 - 1782 Notice is an opportunity for each unit to review the DLGF’s actions and request changes, corrections, or adjustments to the budget, rates, or levies.
 - The 1782 Notice will be sent to each unit by email. So, make certain you enter your email address on the “accordion” in Gateway. (It’s at the bottom of the forms.)



1782 Notice

- The 1782 Notice has several parts:
 - Notice (page 1),
 - 1782 Notice Notes Report,
 - Fund Report,
 - Estimates of Miscellaneous Revenues for Year Ending 20__ ,
 - Maximum Levy Report, and
 - Rate Cap Calculations.



1782 Notice

- The 1782 Notice (Page 1):
 - First page is the Notice with instructions.
 - Provides information of how and where to respond.
 - First page is also a signature page with two boxes (choices):
 - No Changes Requested or
 - Please Make Changes According to the Attached Information.
 - First page includes the deadline to respond.
 - Return the 1782 Notice to DLGF ASAP.
 - Accelerates processing of Budget Order.



1782 Notice

- 1782 Notice Notes Report
 - As DLGF staff work through budgets and make adjustments, they assign notes for certain lines. Those notes describe why a line was changed.
 - Examples of the notes are:
 - “Lesser of unit adopted or prior year budget due to proof of publication not submitted in Gateway” or
 - “Rate reduced due to increased assessed valuation.”
 - Dollar amounts or tax rates may also be included with the notes.



1782 Notice

- Fund Report:
 - A Fund Report is similar to the 16-Line Statements you submitted with your budget.
 - Each line is important but line 16 is critical – Line 16 is the Tax Levy for that fund for the following year. Once the levy is certified you cannot change it. That is the amount of property taxes that will be billed for this fund for the year.
 - Taxes collected exceeding this amount are to be deposited into a levy excess fund and used to reduce a future year's levy.



1782 Notice

- Fund Report (Continued):
- Other Important Lines:
 - Line 1 – Budget Estimate for following year
 - Line 2 – 2nd Half expense of current year
 - Line 6 – June 30 Cash & Investment Balances
 - Line 7 – Dec. Property Tax Distribution (before circuit breaker credits are subtracted)
 - Lines 8 a & b – Miscellaneous Revenues
 - Line 11 – Projected Operating Balance



1782 Notice

- Fund Report:
 - The second part of the Fund Report is a summary of each fund and a total of the rates and total levies of each fund of the unit.

Fund	Assessed Value	Rate	Levy	CNTRL
General	140,000,000	0.0150	21,000	UT
TWP Asst	140,000,000	0.0090	12,600	UT
Fire	110,000,000	0.0500	55,000	TF
Cum Fire (TWP)	110,000,000	0.0333	36,630	O

CTL TF Working MAX 56,000 Under Max by 1,000

CTL UT Working Max 33,900 Under Max by 300



1782 Notice

- Estimates of Miscellaneous Revenues:
 - Another important part of 1782 Notice is the summary of Miscellaneous Revenues (Form 2).
 - Lists revenues by fund and source.
 - Contains 2 columns: Column A: July 1, 2014 – Dec. 31 2014.
 - Column B: Jan 1, 2015 – Dec. 31, 2015.
 - Totals from each column are the amounts on Lines 8a and 8b of the Fund Report. These revenues provide additional funding for your budget.



1782 Notice

- Max Levy Report:
 - This section of the 1782 Notice shows the calculation of the maximum levy amount. (Townships may have a calculation for the Unit Max and the Fire Max.)
 - Formula begins with last years max.
 - Adjusts for Annexation adjustment (if applicable)
 - Adjusts for PTRC (if any)
 - Excessive Levy Appeal
 - State-wide Average Growth Quotient
 - Cumulative Funds (if applicable)



1782 Notice

- 2015 RATE CAP CALCULATION
 - This page shows the eight steps for calculating the maximum rate for the cumulative fund.
 - Formula is primarily based on the past four years average annual percent change in assessed value.
 - Formula determines the maximum cumulative fund rate that can be allowed.



How to Respond

- Write the requested changes on the Notice.
- Scan the Notice and email to 1782Notices@dlgf.in.gov
- Include a written explanation for the request if you think it's needed.
- Remember to closely review the 1782 Notice and to respond quickly.
- Contact your field representative or the DLGF Budget Division with questions about the 1782.



How to Respond

- Common Responses to 1782 Notice:
 - Reduction to Line 2 – 2nd Half Expense
 - 2nd half expense are frequently overstated. A reduction to this line will increase available funds on Line 11 (Operating Balance) allowing a higher Line 1 (Budget). Reducing Line 2 can be done by the Board passing a Resolution.
 - Revision to Estimated Revenues
 - More information regarding revenues is available when the 1782 Notice is issued than when revenues were originally estimated. Some revenues may be higher than originally estimated which provides more funding.



Budget Order

- DLGF's certification of appropriations, property tax rates, and levies by unit and fund.
 - Provides units with the authority to spend and tax.
 - Budget Order is issued for each county.
 - Certifies for each unit in the county their budget, assessed value, tax rate, and levy for each fund.
 - Order also includes:
 - Certified tax rates for each tax district in the county.
 - Notes that explain certain actions taken on budget, rates, or levies.
 - Notice and authority to transfer balances in levy excess fund to operating fund.



Budget Order

Budget Orders for each county can be found by county at:
<http://www.in.gov/dlgf/2339.htm>.

STATE OF INDIANA
DEPARTMENT OF LOCAL GOVERNMENT FINANCE

2014 BUDGET ORDER

Year: 2014
County: 01 Adams
Unit: 0005 KIRKLAND TOWNSHIP
Unit Type: Township

<u>Fund</u>	<u>Certified Budget</u>	<u>Certified AV</u>	<u>Certified Levy</u>	<u>Certified Rate</u>
0101 GENERAL	\$26,196	\$60,709,951	\$10,989	\$0.0181
Budget approved for displayed amount.				
Rate reduced due to increased assessed valuation.				
0840 TWP ASSISTANCE	\$24,957	\$60,709,951	\$5,767	\$0.0095
Budget approved for displayed amount.				
Rate reduced to remain within statutory levy limitation.				
1111 FIRE	\$22,936	\$60,709,951	\$15,785	\$0.0260
Budget approved for displayed amount.				
Rate reduced to remain within statutory levy limitation.				
1190 CUM FIRE(TWP)	\$10,000	\$60,709,951	\$17,606	\$0.0290



Reminders

- Other Reporting Requirements:
 - DLGF may only approve annual budgets or additional appropriations for units that have electronically filed with the State Board of Accounts:
 - The **Annual Financial Report** (Includes TA-7).
 - The **Annual Personnel Report** (which also indicates if the governmental unit offers a health plan, a pension, and other benefits to full-time and part-time employees).
 - Statement by executive that unit has adopted an **anti-nepotism** policy.
 - **Debt issuance report** to DLGF (DLGF may not issue a budget or levy for debt service if this report is not filed.)



Other Business

- Additional Appropriations:
 - Process to amend the budgeted appropriations after the original certification.
 - Units may find they have more or less funds available for use.
 - Same process is used to increase or decrease budget.
 - Requires publishing a public notice at least ten (10) days before a public hearing on the request.
 - Fiscal body must approve by passing an ordinance or resolution.
 - DLGF must approve changes to property tax supported funds, Rainy Day, and Cumulative Funds.
 - Other funds are “Reporting Only.”
 - Not necessary to report transfers between line items.



Other Business

- Appropriation Reductions:
 - Process to reduce appropriations after the original certification is virtually the same as an increase.
 - Units may find they have less funds available for use.
 - Requires publishing a public notice at least ten (10) days before a public hearing on the request.
 - Fiscal body must approve by passing an ordinance or resolution.
 - DLGF must approve changes to property tax supported funds, Rainy Day, or Cumulative Funds.
 - Other funds are "Reporting Only."
 - Appropriation reductions can increase the amount of funds available for ensuing years budget (reduces line 2 on 4b).



Other Business

- Appropriation Transfers:
 - Process to transfer appropriations from one major classification to another within the same fund.
 - Units may find a need for one category and a surplus in another.
 - Township board must approve by passing a resolution.
 - Approval or reporting to DLGF is not necessary.
 - Transfers do not change the total amount of appropriations for a fund.
 - Transfers between funds are only where allowed by statute and must be approved by board passing a resolution.
 - Ex: Transfer fund balance from operating fund to rainy day.



Other Business...Fire Services

- Challenges to providing Fire Services:
 - Funding is always limited and always will be.
 - As economy improves and property values rise, so does the potential for loss, especially with new building construction.
 - However, property tax levy growth in Indiana is limited to statewide AVGQ – currently 2.7% over previous year.
 - Property tax is most common form of funding for fire services.
 - Second most common form of funding is income tax, including the public safety income tax.
 - However, public safety LOIT is intended for cities, towns, and counties. Townships receive only if a city, town, or county allows it.
 - Restructuring is one option for increasing funding.



Fire Services

- Fire protection services is provided by:
 - Township Fire Department
 - City or Town Fire Department
 - Fire District
 - Fire Territory
 - All are similar since they are funded mostly by property or income taxes or both.
 - Major differences exist between fire districts and fire territories.



Fire Services

- Fire Territory
 - Fiscal body is that of the provider unit
 - Created by inter-local agreement
 - Must be more than one unit
 - Managed within the provider unit
 - Participating units must agree to issue debt
- Fire District
 - Fiscal body is county council
 - Created by petition or county council
 - May be just one unit
 - Separate civil taxing unit
 - Allowed to issue debt



Funding Fire Services

- Funding for fire services may be increased above the AVGQ by:
 - Successful Excessive Levy Appeal (consolidation or extension of services)
 - Creating a fire territory
 - Creating a fire district
- Creating a fire territory or district requires the establishment of an initial levy which must be approved by DLGF.
- Strict timelines to follow for establishing a new district or territory.
- Be prepared for controversy and opposition.



Funding Fire Services

- Cumulative Fire Fund
 - Available for townships.
 - Can use revenue to contract with or fund fire departments.
 - Maximum tax rate is 0.0333.
 - Fund must be re-established in order to increase rate (filed with DLGF before August 2).
 - Levy is outside of maximum levy control.
 - Fund may be used for equipment or buildings.



References

- Additional Appropriations and Transfers:
 - http://www.in.gov/dlgf/files/pdf/140730_-_Jones_Memo_-_Additional_Appropriations_and_Transfer_Procedures.pdf
- Taxpayer Notice Concerning Online Budget Advertising
 - http://www.in.gov/dlgf/files/pdf/140724_-_Vincent_Memo_-_Taxpayer_Notice_Concerning_Online_Budget_Advertising.pdf
- Reallocation of Circuit Breaker Credits
 - http://www.in.gov/dlgf/files/pdf/140605_-_Vincent_Memo_-_Reallocation_of_Circuit_Breaker_Credits.pdf
- 2014-2015 Budget Calendar
 - http://www.in.gov/dlgf/files/pdf/140528_-_Jones_Memo_-_2014_-_2015_Budget_Calendar.pdf
- Legislative Changes Affecting Township Emergency Fire Loan:
 - http://www.in.gov/dlgf/files/pdf/140519_-_Vincent_Memo_-_Legislative_Changes_Affecting_the_Township_Emergency_Fire_Loan.pdf



Closing

QUESTIONS???



Contact the Department

- Dan Jones, Assistant Director of DLGF Budget Division
 - Telephone: 317.232.0651
 - Fax: 317.974.1629
 - E-mail: djones@dlgf.in.gov
- Website: www.in.gov/dlgf
 - “Contact Us”: www.in.gov/dlgf/2338.htm